



April 28, 2017

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## **Notice regarding introduction of a Restricted Stock Compensation Plan**

Subaru Corporation (the “Company”) hereby announces that its Board of Directors, at the meeting held on April 28, 2017, resolved to introduce a Restricted Stock Compensation Plan (the “Plan”) as a part of its efforts to review the executive compensation plan and to submit a proposal regarding the introduction of the Plan to the Annual General Meeting of Shareholders planned to be held in late June 2017 (the “General Meeting”).

### **1. Purpose of the introduction of the Plan**

The introduction of the Plan is intended to provide an incentive for the Company’s Directors other than the Outside Directors (hereinafter the “Eligible Directors”) and corporate vice presidents (hereinafter collectively referred to as the “Eligible Officers”) to achieve sustained improvement of the corporate value of the Company and to share more of that value with our shareholders. The plan is the compensation plan under which restricted stock is granted to the Eligible Officers.

The Plan is in accordance with the tax reform in the financial year 2016. The tax reform has introduced the tax treatment regarding: the date when income tax is charged on directors, etc.; the deductibility of remuneration paid to directors, etc. in compensation for services rendered by them in a corporation's income tax; and others. This new tax treatment is applicable to the cases where stocks are granted to directors, etc. of corporations in compensation for services rendered by them subject to the conditions including the restriction on the transfer of the stocks for a certain period.

### **2. Overview of the Plan**

#### **(1) Class and number of restricted stocks to be granted to the Eligible Officers**

The restricted stocks to be granted to the Eligible Officers under the Plan will be common stocks of the Company, the number of which is to be determined by the Board of Directors after the deliberation by the Executive Compensation Meeting. The total number of common stocks to be issued or disposed of by the Company to the Eligible Directors under the Plan shall not exceed 100,000 shares per year.\*

\* In the event where the Company engages in any action which possibly have impacts on stock value per share, such as share split or consolidation of shares, the effective date of which is after the General Meeting resolution, the maximum total number of common stocks of the Company to be issued or disposed of may be reasonably adjusted in consideration of the ratio of the share splitting or the consolidation of shares.

#### **(2) Amount to be paid in for a restricted stock under the Plan**

The amount to be paid in per share by the Eligible Officers for common stocks of the Company to be issued or disposed of under the Plan shall be determined by the Board of Directors, by taking into account the average closing price of the common stock of the Company on the Tokyo Stock Exchange over the one month period immediately preceding the Board resolution, and within the scope which will not be particularly favorable to the Eligible Officers who subscribe the common stocks granted under the Plan.

(3) Grant and in-kind contribution of monetary claim

Under the Plan, the Company grants to each of the Eligible Officers, as a part of their compensation, monetary claim equivalent to the amount to be paid in for the granted restricted stocks to the Company. The Eligible Officers then will pay in all the monetary claim as in-kind contribution to the Company to be issued, or disposed of by the Company, the common stocks of the Company.

(4) Executing a contract regarding the grant under the Plan

In the case of issuing or disposing of the common stock of the Company under the Plan, a contract regarding the grant of the restricted stock shall be executed between the Company and the respective Eligible Officers, which sets forth provisions including:

- (i) the Eligible Officers shall be prohibited, for a period of three years, from transferring, setting collateral rights for, or otherwise disposing of the common stocks of the Company that are granted to them pursuant to the contract; and
- (ii) in the case of occurrence of specified event the Company shall acquire the said common stock at no cost.

**3. Proposal to be submitted to the General Meeting**

Since the Plan involves the Company's grant of monetary claim equivalent to the amount to be paid in for the granted restricted stocks to the Eligible Directors as compensations, the proposal will be submitted at the General Meeting to enable the grant of the said monetary claim, and the introduction of the Plan is subject to approval of the shareholders at the General Meeting.

The shareholders at the 85th Annual General Meeting held on June 28, 2016, approved of the total compensation of the Directors up to 1.2 billion yen (including maximum 200 million yen for Outside Directors). At the coming General Meeting, the Company plans to seek the shareholder's approval for granting monetary claim up to 200 million yen, within the previously-approved compensation cap, to the Eligible Directors as compensation under the Plan.